

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION FOR)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION)
SYSTEM IMPROVEMENT CHARGE) PSC DOCKET NO. 19-0781
EFFECTIVE JANUARY 1, 2020)
(FILED NOVEMBER 22, 2019))

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION FOR)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION)
SYSTEM IMPROVEMENT CHARGE) PSC DOCKET NO. 20-0347
EFFECTIVE JULY 1, 2020)
(FILED MAY 29, 2020))

ORDER NO. 9801

AND NOW, this 12th day of May 2020, the Delaware Public Service Commission (“Commission”) determines and orders the following:

WHEREAS, under the provisions of 26 *Del. C.* § 315, an electric or natural gas utility may calculate and collect a “Distribution System Improvement Charge” (“DSIC Rate”), allowing it to begin recovering depreciation expenses and a return on capital invested in “eligible distribution system improvements” put into service between rate cases; and

WHEREAS, under 26 *Del. C.* § 315(b)(3) and (b)(5), an electric or natural gas utility’s DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements placed into service within the preceding six months;¹ and

WHEREAS, on November 22, 2019, Chesapeake Utilities Corporation (“Chesapeake”) filed an application to increase its DSIC Rate from 0.29% to 0.31%, effective January 1, 2020; and

¹For a more detailed description of the DSIC Rate mechanism, see PSC Order No. 5850 (December 11, 2001).

WHEREAS, on December 12, 2019, by Order No. 9512, the Commission opened Docket No. 19-0781 and approved Chesapeake's application to increase its DSIC Rate to 0.31%, effective January 1, 2020, subject to Commission Staff's ("Staff") annual review, audit, and reconciliation of Chesapeake's DSIC Rate; and

WHEREAS, on May 29, 2020, Chesapeake filed an application to increase its DSIC Rate from 0.31% to 0.35%, effective July 1, 2020; and

WHEREAS, on June 17, 2020, by Order No. 9610, the Commission opened Docket No. 20-0347 and approved Chesapeake's application to increase its DSIC Rate to 0.35%, effective July 1, 2020, subject to Staff's annual review, audit, and reconciliation; and

WHEREAS, Staff conducted a review and audit of Chesapeake's DSIC components and calculations contained in Docket No. 19-0781 and found that, with the exception of a minor discrepancy in retirement costs that was reconciled by Chesapeake during the audit, the numbers complied with the statutory requirements and aligned with the DSIC Rates which the Commission previously approved in Order No. 9512. Specifically, Staff found that: (i) Chesapeake's overall rate of return did not exceed its authorized overall rate of return; (ii) Chesapeake collected \$50,982 in DSIC revenues for PSC Docket No. 19-0781, which was \$1,702 under the semi-annual DSIC revenue requirement of \$52,684 for this period; (iii) the plant portion of Chesapeake's DSIC calculation was accurate; and (iv) the total depreciation as calculated by Chesapeake agreed with its general ledger; and

WHEREAS, based on its audit of the additional plant claimed by Chesapeake in Docket No. 19-0781 and the revenues collected by Chesapeake under the 0.31% DSIC Rate, Staff recommended that the Commission approve, as final, Chesapeake's DSIC Rate of 0.31% for January 1, 2020, through June 30, 2020; and

WHEREAS, Staff conducted a review and audit of Chesapeake's DSIC components and calculations contained in Docket No. 20-0347 and found that, after reconciling the minor discrepancy in retirement costs in Docket No. 19-0781, the numbers complied with the statutory requirements and aligned with the DSIC Rates which the Commission previously approved in Order No. 9610. Specifically, Staff found that: (i) Chesapeake's overall rate of return did not exceed its last authorized overall rate of return; (ii) Chesapeake collected \$42,665 in DSIC revenues for PSC Docket No. 20-0347, which was \$16,267 under the semi-annual DSIC revenue requirement of \$58,932 for this period; (iii) the plant portion of Chesapeake's DSIC calculation was accurate; and (iv) the total depreciation as calculated by Chesapeake agreed with its general ledger; and

WHEREAS, based on its audit of the additional plant claimed by Chesapeake in Docket No. 20-0347 and the revenues collected by Chesapeake under the 0.35% DSIC Rate, Staff recommended that the Commission approve, as final, Chesapeake's DSIC Rate of 0.35% for July 1, 2020 through December 31, 2020; and

WHEREAS, Staff found that the annual reconciliation for PSC Docket Nos. 19-0781 and 20-0347 produced an under-collection of \$17,969 for the 12-month period ending December 31, 2020, which will be reconciled in Chesapeake's next DSIC Rate application; and

WHEREAS, Staff shared its findings with Chesapeake and the Delaware Division of the Public Advocate, both of which agree with Staff's findings;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE VOTE
OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 *Del. C.* § 315, the Commission hereby approves as final Chesapeake's 2020 DSIC Rates of 0.31% (effective January 1, 2020, through June 30, 2020) and

0.35% (effective July 1, 2020, through December 31, 2020), as previously allowed to go into effect by PSC Order Nos. 9512 and 9610.

2. That Chesapeake shall reconcile the 2020 DSIC under-collection amount of \$17,969 in its next DSIC Rate filing.

3. That nothing in this Order shall preclude the examination and challenge of Chesapeake's claims in any base rate proceeding.

4. That the annual audit of the filings made in PSC Docket Nos. 19-0781 and 20-0347 are concluded, and these dockets are hereby closed.

5. That the Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Dallas Winslow, Chairman

Joann Conaway, Commissioner

Harold Gray, Commissioner

Manubhai "Mike" Karia, Commissioner

Kim F. Drexler, Commissioner

ATTEST:

Donna Nickerson, Secretary